

Highlights

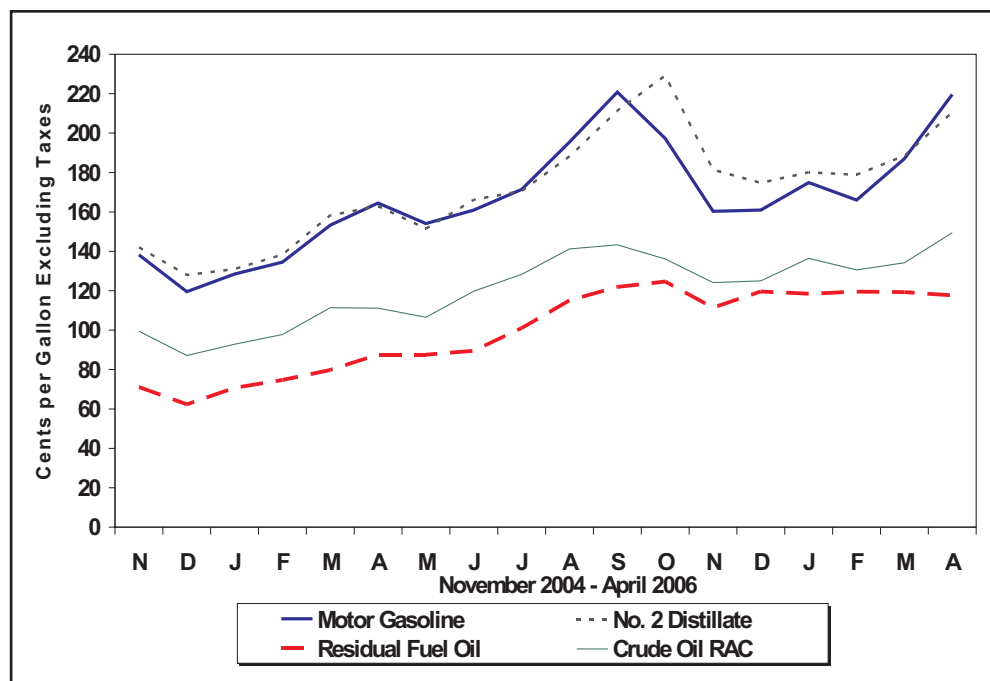
World crude oil prices rose significantly during April, thanks to pressure from several political issues and soaring petroleum product prices in the United States. At the start of the month, events affecting the petroleum industry in Venezuela influenced prices in addition to the ongoing controversy between the West and Iran over its nuclear program and continuing troubles in Nigeria. More specifically, at the end of March, the state-run oil company, *Petróleos de Venezuela S.A.* (PDVSA), assumed the majority interest in newly formed joint ventures with 16 oil companies. The companies, who agreed to convert their operating agreements into joint ventures, ceded 60 percent of control over operations to PDVSA. Further, at the beginning of April, PDVSA took control of operations of two oil fields previously run by companies who had failed to come to an agreement with the Venezuelan government. At the same time, political issues affecting the oil industry in Nigeria also underpinned rising prices.

Offshore production operations remained shut-in due to lack of assurance for the safety of oil company personnel. Moreover, rebel groups threatened to kill oil workers at larger onshore oil facilities if they returned to work. In the past two months, Nigerian rebels have kidnapped employees, attacked and disrupted production and export operations to influence government policy. These actions have caused as much as a 27-percent reduction in the country's typical production of 2.4 million barrels per day of oil. In addition to those matters, the impasse between Iran and Western nations exerted pressure on oil prices throughout the month. Although Iran, the world's fourth largest oil producer, has stated that the nuclear issue will not lead to a halt of oil exports, the situation has made markets nervous, particularly af-

ter reports surfaced that the United States had not ruled out a military option to resolve the deadlock.

In the United States, crude oil and refined product prices surged upwards during April. Significantly lower finished gasoline inventories, ongoing refinery maintenance, and supply concerns connected to various changes in product specifications all contributed to near-record highs for refined products and a new all-time high for the benchmark crude oil stream, West Texas Intermediate (WTI). Mandated changes to gasoline products in East Coast markets in the recent years helped exacerbate the switch from winter-specification product to more stringent summer-specification gasoline. More specifically, because of groundwater contamination caused by MTBE, a blending component often used as an oxygenate in the manufacture of gasoline, many state governments have legislated the use of ethanol in its place. However, due to the hydrophilic

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	April 2006		March 2006		April 2005		April 2006		March 2006		April 2005	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	233.3	59.4	198.5	58.3	180.1	60.6	219.6	320.7	187.0	309.8	164.5	326.8
Conventional	230.3	34.4	196.6	33.4	175.5	34.8	216.3	220.0	185.4	205.9	161.0	221.5
Regular	228.3	29.3	194.4	28.1	173.2	29.0	214.7	193.1	183.8	178.9	159.8	192.6
Midgrade	237.7	2.9	204.1	3.0	182.4	3.3	222.8	11.1	192.0	10.3	164.3	11.0
Premium	248.2	2.1	213.7	2.3	192.7	2.5	231.7	15.8	198.4	16.7	172.5	17.9
Oxygenated	234.7	1.4	205.6	1.6	173.2	1.8	218.4	7.7	190.5	9.1	162.7	8.3
Regular	233.2	1.2	204.5	1.4	171.2	1.5	217.5	6.4	189.3	7.5	161.7	6.9
Midgrade	241.4	0.1	209.4	0.1	181.0	0.2	221.1	0.9	193.6	1.0	160.7	0.9
Premium	248.3	0.1	216.6	0.1	186.6	0.1	226.6	0.4	199.9	0.6	179.1	0.5
Reformulated	237.6	23.7	200.8	23.4	187.3	23.9	227.5	93.0	190.2	94.7	172.5	96.9
Regular	234.4	18.4	197.2	18.0	183.8	18.3	225.3	77.5	188.0	77.9	170.1	79.2
Midgrade	245.0	2.5	208.8	2.6	194.8	2.8	233.5	3.5	196.8	3.7	179.4	4.4
Premium	253.1	2.7	216.5	2.8	202.1	2.9	239.8	11.9	201.6	13.1	185.0	13.3
Aviation Gasoline	286.9	0.1	247.3	0.1	222.2	0.1	265.5	0.5	228.2	0.5	202.9	0.5
Kerosene-Type Jet Fuel	204.8	42.0	187.5	42.5	167.3	45.7	203.1	13.4	186.2	16.0	165.4	16.2
Propane (Consumer Grade)	129.6	1.9	NA	2.4	97.0	2.3	102.2	35.3	96.6	40.3	85.7	30.6
Kerosene	251.6	0.0	236.3	0.1	NA	NA	218.2	0.6	197.9	1.2	163.7	1.0
No. 1 Distillate	218.4	0.2	202.2	0.3	175.3	0.1	203.0	1.0	196.1	1.5	173.9	0.5
No. 2 Distillate	214.3	17.3	194.4	18.9	167.6	20.4	210.5	133.7	188.4	144.0	162.9	135.5
No. 2 Fuel Oil	208.1	1.4	192.6	2.0	160.7	2.2	197.2	15.2	179.1	21.2	155.4	16.9
No. 2 Diesel Fuel	214.8	16.0	194.6	16.9	168.4	18.2	212.2	118.4	190.1	122.7	164.0	118.6
Low Sulfur	219.2	10.8	198.0	11.7	172.1	12.1	213.8	101.7	191.6	105.1	165.0	102.7
High Sulfur	205.5	5.2	187.1	5.2	161.0	6.0	202.5	16.8	181.0	17.6	156.9	16.0
No. 4 Fuel^a	W	W	W	W	W	W	W	W	W	W	127.8	0.1
Residual Fuel Oil	127.8	9.6	125.0	10.0	97.1	9.7	117.7	4.4	119.3	4.1	87.5	5.0
Sulfur Content not > 1 %	139.7	2.5	136.0	3.5	103.4	3.6	120.2	2.3	121.8	2.4	99.9	2.1
Sulfur Content > 1 %	123.6	7.1	119.1	6.5	93.3	6.1	114.9	2.1	115.8	1.7	78.6	2.9

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

nature of ethanol, it cannot be shipped by pipeline. Thus, gasoline blendstock and ethanol arrive at terminals separately and must be blended at that point in the distribution system to create an acceptable finished product for final consumption. These logistical issues contributed to soaring gasoline prices, and underpinned other products' prices in various regional markets during April. Continuing refinery maintenance work also acted as a significant source of pressure on prices. While weekly estimates put refinery utilization at a higher rate from March's level, it remained well below the rate seen at this time last year. Combined with demand for gasoline remaining at solid levels, anemic production served to boost rising prices in markets across the country. Though not as profound as the in-

crease seen in gasoline prices, falling inventories and production rates also affected distillate prices. Robust demand from the agricultural sector, particularly in the Midwest, supported the increase in distillate prices. Nevertheless, prices declined at a steady pace during the latter part of the month. Following the release of weekly supply reports showing smaller-than-expected declines in gasoline stocks along with news of several Gulf Coast refineries coming back online, prices gradually eased, as market qualms abated. Additionally, President George W. Bush's call on April 25 for investigating the possibility of waivers on new clean fuel regulations along with a temporary halt to deliveries to the Strategic Petroleum Reserve provided downward pressure on prices.

A look at some monthly average spot market prices for petroleum products highlights the significant changes that took place in April. The average spot price for WTI crude oil at Cushing, Oklahoma reached \$69.44 per barrel, an increase of \$6.75 from March's average of \$62.69 per barrel. The price last year at this time was \$52.98 per barrel, \$16.75 below the average April 2006 price. The monthly average price for No. 2 fuel oil at New York Harbor was \$1.978 per gallon in April 2006 versus \$1.777 per gallon last month, and \$1.523 per gallon in April 2005, increases of 20.1 cents and 45.6 cents, respectively. The New York Harbor spot price for regular gasoline shows the most striking shift. The April 2006 price averaged \$2.135 per gallon this month, reflecting an increase of 37.0 cents from March's level of \$1.765 per gallon, and a 65.5-cents difference to the April 2005 average of \$1.480 per gallon.

Additional April market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

The daily spot price for WTI crude oil at Cushing, Oklahoma increased significantly during April. After opening the month at \$66.25 per barrel, the price moved to its low of \$66.07 per barrel on April 3. It continued to rise steadily over the coming weeks, driven by worries about gasoline inventory levels and crude oil supply disruptions from Nigeria and Iran. By mid-month, the price moved into record-breaking territory. On April 21, the price reached a new record-setting high when it hit \$73.73 per barrel. The price dipped sharply in the following days, thanks to the influence of market technical factors, before rebounding and closing the month at \$71.80 per barrel, \$5.55 above April's opening level.

- Monthly average crude oil prices show significant increases in April. The average domestic crude oil first purchase price climbed \$6.92 (12.4 percent) to \$62.51 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose \$6.42 (11.7 percent), to \$61.10 per barrel. The average landed cost of foreign crude oil increased \$5.71 (10.1 percent), to \$62.02 per barrel.
- The average refiner acquisition cost for domestic crude oil rose \$5.55 (9.5 percent), to \$63.99 per barrel. The average cost of imported crude oil to U.S. refin-

ers increased \$6.73 (12.2 percent), to \$62.04 per barrel, while the composite refiner acquisition cost for crude oil rose \$6.37 (11.3 percent), to \$62.74 per barrel.

Petroleum Products

Motor Gasoline

Due to concerns about supply levels, the daily spot price for regular gasoline at New York Harbor rose dramatically in April. After opening at \$1.964 per gallon, the price eased to the month's low of \$1.937 per gallon on April 3. Spurred by sizeable decreases in inventory levels, the price moved steadily higher, approaching the range seen during the fall of 2005 after hurricanes struck the Gulf Coast region. Following another reported drop in supply at mid-month, the price hit its high of \$2.346 per gallon on April 19, marking a 40.9-cents rise from its nadir at the beginning of the month. News of refineries restarting operations after maintenance procedures and smaller-than-expected declines in inventory levels in the latter part of April tempered the price. Closing the month at \$2.075 per gallon, the price was 11.1 cents higher than when it opened April.

Monthly average prices for finished gasoline soared in April. The average price for retail sales of motor gasoline by refiners jumped 34.8 cents to \$2.333 per gallon, while the average wholesale price climbed 32.6 cents to \$2.196 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets surged 34.4 cents to \$2.337 per gallon. The average wholesale price for gasoline rose 32.7 cents to \$2.205 per gallon. Both the average dealer tank wagon (DTW) price and the average rack price increased 33.9 cents, rising to \$2.265 per gallon and \$2.220 per gallon, respectively. The average bulk sale price climbed 27.3 cents to \$2.036 per gallon. Reformulated gasoline prices were 7.0 cents more than conventional gasoline prices at retail, and 9.9 cents more at wholesale. Prices for oxygenated gasoline were 0.7 cent lower than conventional gasoline at retail, but 1.0 cent higher at wholesale.

Refiner sales of motor gasoline increased during April. Total sales rose 12.0 million gallons per day (3.3 percent) to an average of 380.1 million gallons per day. Retail sales rose 1.1 million gallons per day (1.9 percent), while wholesales climbed 10.9 million gallons per day

(3.5 percent). Rack sales accounted for 71.3 percent of wholesales, while DTW and bulk sales made up 14.3 percent and 14.4 percent, respectively. Reformulated gasoline made up 30.7 percent of total motor gasoline sales, while oxygenated gasoline accounted for 2.4 percent of sales.

No. 2 Distillate

The April daily spot price for No. 2 heating oil at New York Harbor followed the same volatile path as other product prices in the complex. After opening at its lowest point for the month, \$1.855 per gallon, the price began its ascent, driven by a combination of reported stock declines and ongoing refinery maintenance. The price hit the month's high of \$2.088 per gallon on April 21, marking a 23.2-cents increase from its opening level. Following that point, the price eased fitfully as news of refinery restarts and less-than-expected stock draws influenced market sentiment. The price closed the month at \$1.995 per gallon, 14.0 cents above April's opening level.

- April No. 2 distillate prices rose firmly in all categories of sale. The national average residential sales price increased 7.4 cents to \$2.425 per gallon, while the average wholesale price jumped 22.0 cents to \$2.111 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets climbed 20.2 cents, while the average wholesale price for No. 2 diesel fuel rose 22.0 cents. The difference between low- and high-sulfur diesel fuel prices was 11.6 cents at retail, and 10.4 cents at wholesale.
- Sales of No. 2 distillates by refiners declined in April. Total sales fell 11.8 million gallons per day (7.2 percent), to 151.0 million gallons per day. Sales of No. 2 fuel oil decreased 6.6 million gallons per day (28.4 percent), while sales of No. 2 diesel fuel dropped 5.2 million gallons per day (3.7 percent). Low-sulfur diesel fuel made up 83.7 percent of all refiner diesel fuel sales, and 74.5 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Most monthly average prices for residual fuel oil show increases in April. Refiner prices for low-sulfur residual fuel oil rose 3.7 cents to \$1.397 per gallon at retail, but fell 1.6 cents to \$1.202 per gallon at wholesale. The average refiner retail price for high-sulfur residual fuel oil climbed 4.5 cents to \$1.236 per gallon, while the wholesale price declined 0.9 cent, to \$1.149 per gallon. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil rose 1.9 cents to \$1.373 per gallon at retail, and 2.3 cents to \$1.245 per gallon at wholesale. The retail price for high-sulfur residual fuel oil increased 3.5 cents to \$1.229 per gallon, while the wholesale price rose 1.9 cents to \$1.168 per gallon.
- Overall, refiner residual fuel oil sales decreased in April. Total sales dropped 100,000 gallons per day to 14.0 million gallons per day. Low-sulfur residual fuel oil sales declined 1.1 million gallons per day (18.6 percent), while high-sulfur residual fuel oil sales rose 1.0 million gallons per day (12.2 percent).

Other Products

- Prices for the remaining surveyed products increased—in some cases significantly—during April. At the refiner level, the wholesale price for propane rose 5.6 cents per gallon. Including data from a sample of propane marketers, the average residential propane price increased 5.3 cents per gallon, while the average retail price inched up 0.5 cent per gallon. The average wholesale propane price rose 5.0 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, kerosene, and No. 1 distillate show sizeable increases in both sales categories.
- Refiner sales of products included in this section generally declined during April. Sales of propane, kerosene-type jet fuel, kerosene, and No. 1 distillate fell at both levels, while aviation gasoline sales declined at retail, but rose at wholesale.